

DRAFT ANNUAL BUDGET
OF
VULAMEHLO LOCAL MUNICIPALITY



2016/2017 TO 2018/2019

1st Draft
30/3/2016

2016/2017 DRAFT ANNUAL BUDGET

Purpose

The draft 2016/17 Annual Budget was submitted for noting.

Background

It was submitted in terms of Section 22(b)(i) of the MFMA which requires that *Immediately* after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2016, the final date of submission of the electronic budget documents and corresponding electronic returns is **Friday, 01 April 2016**. The deadline for submission of hard copies including council resolution is **Friday, 8 April 2016**.

Report

There was no tariff increase and no budget for vacant positions.
Since CPI was pronounced on Treasury circular 79 as 6.6, therefore 7.5% salary increase for both staff and councilors was used.
Salaries to total operating budget-29%
Capital to total budget -40%
Operating to total budget-60%
Repairs and maintenance to total operating budget – 8%
Repairs and maintenance to total capital/PPE budget-12%
Depreciation to total operating budget-17%
Depreciation to total capital/PPE budget-25%

Recommendation

That the Schedule A tabled draft 2016/17 be noted and submitted to

2016-2017 DRAFT ANNUAL BUDGET SUMMARY

Grants	Financial Services	Corporate Services	Technical Services	Municipal Manager	Council Services	TOTAL
REVENUE						
New Government Grants	15,295,256	20,179,948	57,622,211	8,048,173	9,120,482	110,266,070
Miscellaneous Income	2,013,000	3,000				2,016,000
Billable Income	2,996,469	296,273				3,292,742
TOTAL REVENUE	20,304,725	20,479,221	57,622,211	8,048,173	9,120,482	115,574,812
EXPENDITURE						
Employee Related Costs	3,865,016	9,055,679	3,508,444	3,433,173		19,862,312
Council Remuneration					6,900,482	6,900,482
Contracted services(not per A schedule)	1,650,000	2,377,076		2,365,000		6,392,076
Other expenditure(not per A schedule)	609,899	3,553,463	70,697	1,600,000	2,220,000	8,054,059
Depreciation	11,745,810					11,745,810
Debt Impairment	2,234,000					2,234,000
Repairs and Maintenance			5,727,313			5,727,313
Equitable Share Special Programmes		5,493,003	100,000	650,000		6,243,003
Conditional Grants Programmes	200,000		1,846,554			2,046,554
TOTAL OPERATING EXPENDITURE	20,304,725	20,479,221	11,253,008	8,048,173	9,120,482	69,205,609
CAPITAL						
MUNICIPAL INFRASTRUCTURE GRANT			16,369,203			16,369,203
DISASTER GRANT			30,000,000			30,000,000
TOTAL CAPITAL EXPENDITURE	-	-	46,369,203	-	-	46,369,203
GRAND TOTAL EXPENDITURE	20,304,725	20,479,221	57,622,211	8,048,173	9,120,482	115,574,812
SURPLUS/DEFICIT	-	-0	-	-	-	-0

Budget Allocation Percentage						
Salaries to total operating budget						29%
Capital to total budget						40%
Operating to total budget						60%
Repairs and maintenance to total operating budget						8%
Repairs and maintenance to total capital/PPE budget						12%
Depreciation to total operating budget						17%
Depreciation to total capital/PPE budget						25%
<i>Please Note: Depreciation is cash backed</i>						

2016-2017 DRAFT ANNUAL BUDGET

Budget and Treasury Office

Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
New Government Grants		7,495,725	15,295,256
Equitable Share	1600/1603/019/0191	5,620,725	13,285,256
FMG	1600/1606/019/0191	1,875,000	2,010,000
Miscellaneous Income		2,119,950	2,013,000
Interest	0800/0805/019/0191	2,060,307	2,000,000
Rates Clearance	1700/1720/019/0191	4,543	3,000
Sale of tender Documents	1700/1715/019/0191	55,000	10,000
Sundry Income	1700/1705/019/0191	100	
Billable Income		2,996,469	2,996,469
Rates	0200/0205/019/0191	2,274,590	2,274,590
Revenue Forgone	0200/0210/01	-40,121	-40,121
Interest - rates	1000/1005/019/0191	750,000	750,000
Interest - rental	1000/1006/019/0191	12,000	12,000
Rental Income			
TOTAL REVENUE		12,612,144	20,304,725
EXPENDITURE			
Employee Related Costs		5,294,120	3,865,016
Cell Allowance	3000/3401/019/0191	5,000	10,320
Travel Allowance	3000/3006/019/0191	100,000	89,720
Basic Salary	3000/3001/019/0191	4,084,378	2,896,872
Bonus	3000/3002/019/0191	209,142	316,406
Company Contribution IDC	3100/3102/019/0191	1,000	562
Company Contribution Medical Aid	3100/3103/019/0191	181,534	171,210
Company Contribution Pension Fund	3100/3104/019/0191	647,070	325,245
Company Contribution UIF	3100/3105/019/0191	23,466	16,669
Skills Development Levy	3100/3106/019/0191	41,030	28,982
Housing Allowance	3000/3011/019/0191	1,500	9,030
General		13,679,486	13,979,810
Provision for bad debts-debt impairment	3500/3505/019/0191	1,700,000	2,234,000
Depreciation	3700/3705/019/0191	11,979,486	11,745,810
Contracted services(not per A schedule)		2,436,267	1,650,000
Service Level Agreement and new modules	4400/4421/019/0191	1,200,000	1,500,000
Vat - Review	4300/4383/019/0191	1,236,267	150,000
Other expenditure(not per A schedule)		820,206	609,899
Accommodation	4400/4401/019/0191	75,000	25,000
Advertising	4400/4405/019/0191	50,000	50,000
Bank Charges	4400/4406/019/0191	176,153	88,076
Debt Collection Fees	4400/4517/019/0191	200,000	200,000
Finance Cost	4400/4433/019/0191	3,352	3,352
Interest Expense	4400/4505/019/0191	5,971	5,971
Membership	4400/4512/019/0191	2,500	2,500
Refreshments & Catering	4400/4419/019/0191	5,000	-
Seminars & Workshops Conferences	4400/4424/019/0191	37,230	20,000
Staff/Training Bursary Fund	4400/4426/019/0191	150,000	150,000
Subsistence and travelling	4400/4508/019/0191	65,000	65,000
Travel	4400/4503/019/0191	50,000	-
Conditional Grants Programmes		1,875,000	200,000
Grant Expenditure FMG Office	4300/4377/019/0191	1,875,000	200,000
TOTAL OPERATING EXPENDITURE		24,105,079	20,304,725
Internally Funded Assets		50,000	-
Lap top Computers	8200/8204/019/0191	50,000	-
TOTAL CAPITAL EXPENDITURE		50,000	-
GRAND TOTAL EXPENDITURE		24,155,079	20,304,725
SURPLUS/DEFICIT		-11,542,935	-

2016-2017 DRAFT ANNUAL BUDGET			
	Corporate Services		
Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
New Government Grants		24,354,570	20,179,948
Equitable Share	1600/1603/02/0205	23,424,570	20,179,948
MSIG	1600/1607/02/0205	930,000	
Miscellaneous income		3,000	3,000
Hall Hire	1700/1710/019/0191	3,000	3,000
Billable income		282,164	296,273
Rental income	0700/0705/019/0191	282,164	296,273
Grants Rolled Over from 2014/2015 FY		7,131	-
Umdumezulu rural housing project		131	
HR systems		7,000	
TOTAL REVENUE		24,646,865	20,479,221
EXPENDITURE			
Employee Related Costs		9,402,444	9,055,679
Cell Allowance	3000/3401/02/0205	31,102	183,180
Travel Allowance	3000/3006/02/0205	413,279	269,158
Basic Salary	3000/3001/02/0205	7,114,127	6,306,856
Bonus	3000/3002/02/0205	514,691	600,571
Acting allowance	3000/3005/02/0205	214,606	83,333
Overtime	3000/3004/02/0203	55,000	50,000
Company Contribution IDC	3100/3102/01/0203	1,755	2,152
Company Contribution Medical Aid	3100/3103/02/0205	434,618	473,014
Company Contribution Pension Fund	3100/3104/02/0205	412,423	599,718
Company Contribution UIF	3100/3105/02/0205	50,363	46,098
Skills Development Levy	3100/3106/02/0205	126,260	74,840
Housing Allowance	3000/3011/02/0205	34,220	366,759
Contracted services(not per A schedule)		2,626,605	2,377,076
Insurance	4400/4412/02/0205	1,060,000	750,000
Lease of office equipment	4400/4413/02/0205	305,039	296,266
Operating Lease	4400/4509/02/0205	569,118	569,118
Security	4400/4423/02/0205	310,000	341,000
SITA WAN Services	4400/4510/02/0205	159,000	174,900
Valuation Roll-Maintenance	4400/4415/02/0205	223,448	245,792
Other expenditure(not per A schedule)		4,489,576	3,553,463
Accommodation	4400/4401/02/0205	175,586	50,000
Advertising	4400/4405/02/0205	66,986	73,685
Cleaning	4400/4407/02/0205	20,849	22,935
Electricity	4400/4411/02/0205	223,448	245,792

Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
Legal fees	4400/4414/02/0205	200,000	200,000
Media Liaison	4400/4513/02/0205	56,000	100,000
Medical Examination	4400/4416/02/0205	700	
Motor Vehicle Running Services	4400/4435/02/0205	938,642	500,000
Printing and postage	4400/4418/02/0205	5,586	6,145
Refreshments & Catering	4400/4419/02/0205	90,937	100,000
Salga - Kwazulu Natal Subscriptions	4400/4420/02/0205	530,000	550,000
Salga games	4400/4514/02/0205	750,000	
Seminars & Workshops Conferences	4400/4424/02/0205	10,000	
Sports and Recreation	4400/4425/02/0205	200,000	750,000
Staff/Training Bursary Fund	4400/4426/02/0205	200,000	200,000
Stationery	4400/4427/02/0205	218,000	220,000
Subscription	4400/4428/02/0205	3,000	3,000
Subsistence and travelling	4400/4508/02/0205	165,000	165,000
Telephone	4400/4429/02/0205	574,018	300,000
Water	4400/4431/02/0205	60,824	66,906
Conditional Grants Programmes		937,131	-
HR Systems		7,000	
Umdumezulu Rural Housing Project		131	
Grant Expenditure MSIG	4300/4375/02/0205	930,000	
Equitable Share Special Programmes		6,569,110	5,493,003
Projects- Disabled	4300/4313/05/0507	250,000	275,000
Projects- Education fund	4300/4316/05/0507	110,000	121,000
Projects- Gender Forum	4300/4324/05/0507	500,000	550,000
Projects- HIV/AIDS	4300/4326/05/0507	542,730	597,003
Proj Public Participation	4300/4353/05/0507	2,300,000	2,300,000
Proj Expenditure Senior citizens	4300/4354/05/0507	300,000	330,000
Proj Youth	4300/4359/05/0507	1,170,644	1,175,000
Printing and designing IDP	4400/4519/15/0102	40,000	45,000
SPLUMA	4400/4520/02/0205	500,000	
Strategic Planning	4400/4521/15/0102	100,000	100,000
Proj Server Infrastructure overhaul	4300/4384/02/0203	592,268	
Proj Bio Metric access control	4300/4386/02/0203	163,468	
Repairs and Maintenance		52,000	-
Office Furniture and fittings	3800/3805/02/0205	52,000	
Roads maintenance			
TOTAL OPERATING EXPENDITURE		24,076,866	20,479,221
ASSETS			
Other Assets		500,000	-
Hall Chairs	8200/8531/02/0205	500,000	
Internally Funded Assets		70,000	-
Lap top Computers		20,000	
Airconditioners	8200/8533/02/0205	50,000	
TOTAL CAPITAL EXPENDITURE		570,000	-
GRAND TOTAL EXPENDITURE		24,646,866	20,479,221
SURPLUS/DEFICIT		-1	-0

2016-2017 DRAFT ANNUAL BUDGET

Technical Services

Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
New Government Grants		69,086,461	57,622,211
Equitable Share	1600/1603/11/1105	17,126,461	9,406,454
MIG	1600/1627/11/1105	14,960,000	17,230,740
Mansification(water and sanitation) KZN Prov Grant	1600/1647/11/1105	8,000,000	
Disaster	1610/1649/11/1105	20,000,000	30,000,000
Electrification	1610/1632/11/1105	8,000,000	
EPWP	1600/1646/11/1105	1,000,000	985,017
Grants Rolled Over from 2014/2015 FY		5,334,950	-
MIG - capital		3,949,563	
EPWP		420,079	
Disaster Grant		400,287	
Homeowners ploughing assistance project		14,905	
Kzn sports	1600/1619/05/0507	550,116	
TOTAL REVENUE		74,421,411	57,622,211
EXPENDITURE			
Employee Related Costs		2,829,801	3,508,444
Cell Allowance	300/3401/11/1105	15,000	40,506
Travel Allowance	3000/3005/11/1105	152,299	138,030
Basic Salary	3000/3001/11/1105	2,243,698	2,698,560
Bonus	3000/3002/11/1105	98,569	224,880
Company Contribution Group Life	3100/3101/11/1105	1,924	2,114
Overtime	3000/3004/11/1105	12,500	
Company Contribution IDC	3100/3102/11/1105	943	1,122
Company Contribution Medical Aid	3100/3103/11/1105	120,895	141,763
Company Contribution Pension Fund	3100/3104/11/1105	137,798	177,285
Company Contribution UIF	3100/3105/11/1105	15,928	19,352
Skills Development Levy	3100/3106/11/1105	30,247	30,647
Housing Allowance			34,185
Contracted services(not per A schedule)		435,000	-
Service Level Agreement and new modules	4300/4315/05/0507	435,000	
Other expenditure(not per A schedule)		126,752	70,697
Accommodation	4400/4401/11/1105	24,987	
Seminars & Workshops Conferences	4400/4424/11/1105	5,000	5,000
Subsistence and travelling	4400/4508/11/1105	69,420	40,000
Travel	4400/4503/11/1105	5,000	
Uniform Allowance	4400/4511/11/1105	22,345	25,697
Conditional Grants Programmes		18,485,100	1,846,554
KZN Prov-Mansification grant	4300/4390/11/1105	8,000,000	
Homeowners Ploughing Assistance		14,905	
KZN Sports Grant	4300/4378/05/0507	550,116	
PMU	4300/4387/11/1105	500,000	861,537
Electrification project	4300/4382/11/1105	8,000,000	

EPWP	4300/4388/11/1105	1,420,079	985,017
Equitable Share Special Programmes		5,102,946	100,000
Projects-Free Basic Electricity	4300/4322/11/1105	572,400	100,000
Projects-Free Basic Services	4300/4323/11/1105	4,530,546	
Repairs and Maintenance		7,975,564	5,727,313
Office Buildings	3800/3803/11/1105	59,000	30,000
Community Facilities	3800/3806/11/1105	1,300,000	500,000
Computer Equipment	3800/3801/11/1105	5,000	5,000
Motor Vehicles and Plant	3800/3802/11/1105	431,564	256,028
Office Equipment	3800/3804/11/1105	75,000	
Office Furniture and fittings	3800/3805/11/1105	125,000	
Roads maintenance	3800/3808/11/1105	5,980,000	4,936,285
TOTAL OPERATING EXPENDITURE		34,955,163	11,253,008
Internally Funded Assets		156,399	-
Wheel Chair Revamp	8200/8525/11/1105	156,399	
MIG Projects		18,909,563	16,369,203
Dududu/Thafeni Road-RO		949,563	
Ndlovu Road	8200/8270 check	2,960,000	
Mashiwe Resource Centre			5,456,401
Mfume Skills Centre			5,456,401
Thenjane Skills Centre			5,456,401
Fakazi Creche- roll over		1,000,000	
Madundubala Community Hall-RO		1,000,000	
Shukumisa Sport Ground-RO		1,000,000	
Mphambanyoni Community Hall	8200/8267	2,400,000	
Bhewula Community Hall	8200/8268	2,400,000	
Buhlebezwe Comm Hall	8200/8269	2,400,000	
Mahlafuna Community Hall	8200/8271	2,400,000	
Harringworth Community Hall	8200/8272	2,400,000	
Renewable Assets		20,400,287	30,000,000
Disaster projects- roads	8200/8262 check	20,000,000	30,000,000
Disaster projects- roads-RO		400,287	
TOTAL CAPITAL EXPENDITURE		39,466,249	46,369,203
GRAND TOTAL EXPENDITURE		74,421,412	57,622,211
SURPLUS/DEFICIT		-1	-

2016-2017 DRAFT ANNUAL BUDGET			
	Municipal Manager		
Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
New Government Grants		6,303,185	8,048,173
Equitable Share	1600/1603/15/0102	6,303,185	8,048,173
Grants Rolled Over from 2014/2015 FY		33,022	-
Anti corruption		22,541	
Development plan		3,354	
LED Strategy Review		7,127	
TOTAL REVENUE		6,336,207	8,048,173
EXPENDITURE			
Employee Related Costs		1,828,007	3,433,173
Cell Allowance	3000/3401/15/0102		20,640
Travel Allowance	3000/3006/15/0102	156,000	179,439
Basic Salary	3000/3001/15/0102	1,307,867	2,607,163
Bonus	3000/3002/15/0102	110,319	317,263
Company Contribution IDC	3100/3102/15/0102	100	187
Company Contribution Medical Aid	3100/3103/15/0102	55,984	76,246
Company Contribution Pension Fund	3100/3104/15/0102	141,696	177,792
Company Contribution UIF	3100/3105/15/0102	8,250	9,388
Skills Development Levy	3100/3106/15/0102	47,791	26,995
Housing Allowance			18,060
Contracted services(not per A schedule)		2,150,000	2,365,000
External Audit	4400/4403/15/012	2,000,000	2,200,000
Internal Audit Fees	4400/4402/15/0102	150,000	165,000
Other expenditure(not per A schedule)		1,694,257	1,600,000
Accommodation	4400/4401/15/0102	10,438	5,000
Advertising	4400/4405/15/0102	93,524	50,000
Anti- Corruption Hotline fees	4400/4515/15/0102	7,500	
Membership	4400/4512/15/0102	5,000	5,000
Printing and postage	4400/4418/15/0102		
Provision for shares services	4400/4506/15/0102	1,500,000	1,500,000
Refreshments & Catering	4400/4419/15/0102	30,000	
Seminars & Workshops Conferences	4400/4424/15/0102	7,500	15,000
Subsistence and travelling	4400/4508/15/0102	15,295	25,000
Travel	4400/4503/15/0102	25,000	
Conditional Grants Programmes		25,895	-
Anti-Corrupt (DTGA- Municipal Finance)		22,541	

Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
Development Plan		3,354	
Equitable Share Special Programmes		604,200	650,000
LED	4300/4335/03/0301	604,200	650,000
TOTAL OPERATING EXPENDITURE		6,302,359	8,048,173
Internally Funded Assets		33,847	-
Office furniture & Equipment	8200/8218/15/0102	13,847	
Lap top Computers	8200/8220/01/0102	20000	
TOTAL CAPITAL EXPENDITURE		33,847	-
GRAND TOTAL EXPENDITURE		6,336,206	8,048,173
SURPLUS/DEFICIT		6,302,360	-

2016-2017 DRAFT ANNUAL BUDGET

Mayor/Council

Grants	Vote No	Adjusted 2015/16 Budget	2016/17 Budget
New Government Grants	+		
Equitable Share	1600/1603/01/0101	10 395 059	9 120 482
TOTAL REVENUE		10 395 059	9 120 482
Councillors Remuneration	+	6 521 399	6 900 482
Cell Allowance	3400/3401/01/0101	451 314	448 662
Basic Salary	3400/3402/01/0101	4 498 557	6 300 955
3G Datacard	3400/3404/01/0101	76 320	77 400
Travel Allowance	3400/3403/01/0101	1 495 208	
Ski Is Levy			73 465
Other expenditure(not per A schedule)	+	3 853 661	2 220 000
Accommodation	4400/4401/01/0101	170 761	150 000
Bur al for councillors	4300/4303/01/0101	148 400	100 000
Caucus Fund	4400/4516/01/0101	400 000	-
Councilors ski I Upgrade	4400/4426/01/0101	500 000	250 000
Refreshments & Catering	4400/4419/01/0101	15 500	15 000
Seminars & Workshops Conferences	4400/4424/01/0101	25 000	25 000
Subsistence and travelling	4400/4508/01/0101	1 800 000	1 000 000
Travel	4400/4503/01/0101	14 000	
Ward Committee Incentives	3400/3405/01/0101	580 000	680 000
TOTAL OPERATING EXPENDITURE		10 375 060	9 120 482
SURPLUS/DEFICIT		19 999	-

2016/2017 TARIFF OF CHARGES

DESCRIPTION	2016/2016	2016/2017
PROPERTY RATES		
RURAL RESIDENTIAL	0.0108	0.0108
PLACE OF WORSHIP	0.0027	0.0027
AGRICULTURAL SMALLHOLDING	0.0027	0.0027
PUBLIC SERVICE INFRASTRUCTURE	0.0027	0.0027
AGRIC IND/ COMM	0.0027	0.0027
AGRICULTURAL	0.0027	0.0027
COMMUNAL LAND	0.0027	0.0027
STATE OWNED PROPERTIES	0.0027	0.0027
MISCELLANEOUS CHARGES		
HALL – DEPOSIT FOR OTHER EVENTS	R250	R250
HALL – DEPOSIT FOR COMMUNITY MEETINGS AND FUNERAL	R150	R150
MUNICIPAL HALL HIRE FOR OTHER EVENTS	R480	R480
SALE OF TENDER DOCUMENT	R300-R600	R300-R600
MUNICIPAL HALL HIRE FOR COMMUNITY MEETINGS AND FUNERAL	R300	R300
VALUATION ROLL	R500	R500
RATES CLEARANCE CERTIFICATE	R150	R150
COMMUNITY HALLS	0	0
RENTAL OF SPORTS FIELDS	0	0
VALUATION CERTIFICATE	R60	R60
RENTAL OF MUNICIPAL PROPERTY	R300-R10 000pm	R300-R10 000pm

SCHEDULE A

**DRAFT 2016/17 ANNUAL BUDGET AND
SUPPORTING DOCUMENTATION OF
VULAMEHLO LOCAL MUNICIPALITY**

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 MAYORS REPORT

MAYORAL DRAFT BUDGET SPEECH

It gives me great pleasure to present before you the 2016/2017 Draft Annual Budget for this municipality. This Budget was drawn up with full understanding of the fact that only one quarter of it will be implemented by this municipality under its status as a legitimate municipality. The period of its implementation under the name of Vulamehlo Municipality will come to an end on the date of local government election to take place during 2016/2017 financial year. The remaining three quarters of it will then be consolidated with that of Umdoni and EThekweni Municipalities where 35% of it will be consolidated to eThekweni Municipality and 65% consolidated with that of Umdoni Municipality.

Due to geographical location of this municipality, generating its own revenue have always been a mammoth task since its inception for about 15 years ago. The municipality is 100% rural based and no proper rates base that could yield rates income enough to provide funding for services rendered to community. This municipality had always been 96% dependent on government grants. The national government initiated the disestablishment of this municipality for the benefit of the community within areas of its jurisdiction.

In the division of revenue for 2016/17 financial year, this municipality never received allocation. The funding used in completing this budget was obtained as a percentage of allocation made to Umdoni Municipality. The Umdoni Municipality received bigger grants allocations for this financial year which was assumed that the allocation for Vulamehlo had already been combined with that of Umdoni Municipality. In terms of circular 79, CPI was 6.6%.

We hope that with this draft budget we will be able to deliver services in an equitable manner until this municipality is finally disestablished.

I thank you.

CLLR WT DUBE

MAYOR- VULAMEHLO MUNICIPALITY

1.2 COUNCIL RESOLUTIONS

On 30 March 2016, the Council of Vulamehlo Municipality met in the Municipal Hall of Vulamehlo Municipality to consider the annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Vulamehlo Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position
 - 1.2.2. Budgeted Cash Flows
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation.
 - 1.2.4. Asset management as contained in Table 26
 - 1.2.5. Basic service delivery measurement.
2. The Council of Vulamehlo Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017:
 - 2.1. the tariffs for property rates – as set out in **Annexure A**,
3. The Council of Vulamehlo Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017 the tariffs for other services, as set out in **Annexures B**.
4. To give proper effect to the municipality's annual budget, the Council of Vulamehlo Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of equitable share grant, portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. No long-term loans will be raised for the funding of the capital programmes in respect of the 2016/17 financial year. All capital budget for 2016/2017 financial year will be funded out of Municipal Infrastructure grant.
 - 4.3. The Municipal Manager would not be authorised to sign any lending agreement for 2016/2017 financial year.

1.3 EXECUTIVE SUMMARY

The main objective of a municipal budget is to allocate realistically expected resources to the service delivery goals or performance objectives identified as priorities in the approved IDP

The budget was made possible through continuous consultation with the local community, the relevant government departments and the internal departments of the Municipality to ensure that the priorities are properly aligned and addressed and other sister municipalities.

It is Council's responsibility to ensure that its budget complies with the following three criteria, i.e.:

- Sustainability, to ensure that the municipality has sufficient revenue and adequate corporate and financial stability to fund and deliver on its budget.
- Credibility, to ensure that the municipality, with its ability and capacity to spend, deliver in terms of its budget.
- Governance, that the Municipality has appropriate capacity and stability to ensure the long term sustainability of service delivery.

FINANCIAL SUMMARY ON 2016/2017

The total budget amounts for the 2016/17 year is R115 574 812. This comprised of R69m towards operating expenditure and R46m towards capital Expenditure programmes.

OPERATING BUDGET

Comprises the following:

i) OPERATING REVENUE BUDGET

New Government Grants-R110m

Miscellaneous Income-R2m

Billable Income- R3m

ii) OPERATING EXPENDITURE BUDGET

Employee Related Costs-R20m

Council Remuneration-R7m

Contracted services-R3m

Other expenditure-R8m

Depreciation-R12m

Debt Impairment-R2m

Repairs and Maintenance-R6m

Equitable Share Special Programmes-R6m

Conditional Grants Programmes-R2m

The Total Operating Revenue and Expenditure budget for 2016/2017 financial year was R69m made from government grants 96%, Rates 3% and Other charge for 1%.

CAPITAL BUDGET

Capital budget for 2016/17 is largely funded from KZN COGTA by providing the following grant funding towards infrastructure development.

- i) MUNICIPAL INFRASTRUCTURE GRANT-R16m
- ii) DISASTER GRANT-R30m

Both these grants contributes 40% percent of our 2016/2017 budget.

1.4 ANNUAL BUDGET TABLES

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/2017 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

KZN211 Vulamehlo - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	1,824	2,237	-	2,369	-	-	-	2,984	-	-
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	482	856	-	700	-	-	-	2,000	-	-
Transfers recognised - operational	44 556	45,055	-	84,532	-	-	-	63 897	-	-
Other own revenue	628	396	-	382	-	-	-	324	-	-
Total Revenue (excluding capital transfers and contributions)	47 490	48,543	-	87,983	-	-	-	69,206	-	-
Employee costs	13,406	15,355	-	20,090	-	-	-	19,862	-	-
Remuneration of councillors	6 665	6,684	-	6,712	-	-	-	6 900	-	-
Depreciation & asset impairment	9,609	15,498	-	11,979	-	-	-	11,746	-	-

[illegible]

[illegible]

Table 1 MBRR Table A1 – Budget Summary
KZN211 Vulamehlo - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Fu l Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Financial Performance										
Property rates	1 487	1 824	2 237	2 235	2 235	2 235	-	2 369	2 462	2 613
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	221	482	858	850	850	700	-	700	750	750
Transfers recognised - operational	32 781	44 558	45 055	57 391	60 107	56 355	-	84 532	81 474	118 526
Other own revenue	320	828	395	3 405	12 502	12 502	-	382	305	273
Total Revenue (excluding capital transfers and contributions)	34 809	47 690	48 543	63 681	75 494	70 792		87 983	84 991	122 162
Employee costs	10 958	13 406	15 355	18 332	18 332	18 332	-	20 090	21 326	22 574
Remuneration of councillors	5 154	6 665	8 884	6 002	6 002	6 002	-	6 712	7 125	7 542
Depreciation & asset impairment	5 666	9 609	15 496	8 400	11 301	11 301	-	11 979	12 696	13 460
Finance charges	411	330	299	335	1 135	1 135	-	144	152	181
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-
Transfers and grants	3 548	8 379	7 985	-	-	-	-	5 103	5 358	5 625
Other expenditure	14 953	18 688	15 990	34 278	50 248	44 535	-	56 037	59 411	63 071
Total Expenditure	40 689	55 058	61 822	87 347	87 018	81 305		100 055	106 070	112 434
Surplus/(Deficit)	(5 880)	(7 368)	(13 279)	(3 666)	(11 524)	(10 513)		(12 083)	(21 079)	9 728
Transfers recognised capital	15 741	11 565	21 789	17 999	17 999	22 701	-	38 560	49 145	20 022
Contributions recognised capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	9 861	4 002	8 520	14 333	6 475	12 188		26 477	28 066	29 750
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	9 861	4 002	8 520	14 333	6 475	12 188		26 477	28 066	29 750
Capital expenditure & funds sources										
Capital expenditure	13 234	12 483	19 526	-	23 489	23 489	-	39 530	49 145	20 022
Transfers recognised - capital	13 234	12 483	19 526	-	17 999	22 701	-	38 060	49 145	20 022
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	5 490	788	-	1 470	-	-
Total sources of capital funds	13 234	12 483	19 526	-	23 489	23 489		39 530	49 145	20 022
Financial position										
Total current assets	7 025	19 589	17 723	16 870	25 781	18 871	-	8 359	15 135	19 321
Total non current assets	109 477	122 258	126 272	82 817	138 243	138 243	-	165 794	202 291	208 852
Total current liabilities	6 579	16 985	10 532	4 132	4 132	4 132	-	8 842	8 842	8 842
Total non current liabilities	1 838	1 014	1 087	100	100	100	-	1 084	1 084	1 084
Community wealth/Equity	108 864	123 876	132 396	105 455	158 772	150 882	-	164 237	207 499	219 246
Cash flows										
Net cash from (used) operating	13 068	22 827	16 047	29 970	13 197	13 197	-	43 381	58 870	24 708
Net cash from (used) investing	(16 903)	(12 656)	(19 506)	(28 614)	(17 733)	(17 733)	-	(39 530)	(49 145)	(20 022)
Net cash from (used) financing	1 976	(1 880)	(848)	258	1 504	(1 504)	-	(500)	(500)	(500)
Cash/cash equivalents at the year end	4 269	12 780	8 773	9 984	2 733	2 733		6 084	13 110	17 296
Cash backing/surplus reconciliation										
Cash and investments available	4 269	12 780	8 773	16 164	23 059	16 164	-	8 759	13 784	17 970
Application of cash and investments	3 165	9 751	3 002	(8 666)	657	2 115	-	7 858	8 017	8 027
Balance - surplus (shortfall)	1 104	3 029	5 771	22 830	22 402	14 049		(1 099)	5 767	9 943
Asset management										
Asset register summary (WCV)	109 043	122 117	126 104	-	138 841	138 243	165 797	165 797	202 290	208 852
Depreciation & asset impairment	5 666	9 609	15 498	8 400	11 301	11 301	11 979	11 979	12 696	13 460
Renewal of Existing Assets	-	-	-	-	-	-	-	20 000	-	-
Repairs and Maintenance	610	1 089	839	4 058	5 713	5 713	7 544	7 544	8 490	8 890
Free services										
Cost of Free Basic Services provided	-	-	-	96	96	96	96	96	100	100
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water	7	7	8	7	7	7	6	6	6	6
Sanitation/sewerage	2	2	2	2	2	2	2	2	2	2
Energy	10	10	9	8	9	9	9	9	9	9
Refuse	-	-	16	-	-	-	16	16	16	16

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasized the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 1. The operating surplus
 2. Capital expenditure is balanced by capital funding sources, of which
 - i) Transfers recognized is reflected on the Financial Performance Budget;
 - ii) Internally generated funds is financed from a combination of the current operating surplus, accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. All budgeted line items in this budget was cash backed
5. There was no increase on tariffs charges.
6. Other expenditure line items were escalated by 6%. Salaries of both staff and councilors were escalated by 7.5% due to funds constraint.
7. No budget provision for Finance Interns since all of them already completed their 2 years internship program.
8. No provision for vacant positions in all departments.
9. Any requirement for additional staff capacity in BTO between July 2017 until announcement of audit outcome for 2015/2016 audit, funding will be sourced from SLA line item of budget and from FMG grant

KZN211 Vulamehlo - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

[illegible]

Sport and recreation	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Economic and environmental services	11,166	3,809	-	33,552	-	-	11,253	-	-
Planning and development	-	-	-	-	-	-	-	-	-
Road transport	11,166	3,809	-	33,552	-	-	11,253	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-
Other	4	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	55,056	50,923	-	100,066	-	-	69,206	-
Surplus/(Deficit) for the year		3,880	575	-	26,477	-	-	46,369	-

References

- 1 Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes
- 2 Total Revenue by standard classification must reconcile to Total Operating Revenue shown in Budgeted Financial Performance (revenue and expenditure)
- 3 Total Expenditure by Standard Classification must reconcile to Total Operating Expenditure shown in Budgeted Financial Performance (revenue and expenditure)
- 4 All amounts must be classified under a standard classification (modified GFS). The GFS function 'Other' is only for Abattoirs, Air Transport, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification

check oprev balance	121,649	18,844,249	-	183	-	-	-	-
check opexp balance	6,379,221	2,882,079	-	204	-	-	-	-

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas, Vulamehlo Municipality having 5 Functional areas namely Municipal Manager Office, Budget and treasury services, Corporate Services, Technical Services and Council. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognized-capital) and so does not balance to the operating revenue shown on Table A4.

KZN211 Vulamehlo - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

[illegible]

VOTE 9]										
Vote 10 - [NAME OF VOTE 10]										
Vote 11 - [NAME OF VOTE 11]										
Vote 12 - [NAME OF VOTE 12]										
Vote 13 - [NAME OF VOTE 13]										
Vote 14 - [NAME OF VOTE 14]										
Vote 15 - [NAME OF VOTE 15]										
Total Expenditure by Vote	2	55,056	50,923	-	100,066					
Surplus/(Deficit) for the year	2	1,400	575	-	26,477			69,206		
								46,369		

References

1. Insert 'Vote'; e.g. department, if different to standard classification structure
2. Must reconcile to Budgeted Financial Performance (revenue and expenditure)
3. Assign share in 'associate' to relevant Vote

check Surplus/(Deficit) for the year

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote

KZN211 Vulamehlo - Table A4 Budgeted Financial Performance (revenue and expenditure)

Performance (Revenue and expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
<u>Revenue By Source</u>											
Property rates	2	1 824	2,237	-	2,369	-	-		2,234	-	-

Property rates - penalties & collect on charges	-	-	-	-	-	-	-	-	750	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other equipment	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and investments	-	197	260	-	297	-	-	-	296	-	-
Interest earned - external investments	-	482	856	-	700	-	-	-	2,000	-	-
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	12	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-	-	-	-
Agency services	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	-	44,556	45,055	-	84,532	-	-	-	63,897	-	-
Other revenue	2	309	136	-	85	-	-	-	16	-	-
Gains on disposal of PPE	-	122	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	-	47,490	48,543	-	87,983	-	-	-	89,208	-	-
Expenditure By Type	-	-	-	-	-	-	-	-	-	-	-
Employee related costs	2	13,406	15,355	-	20,090	-	-	-	19,862	-	-
Remuneration of councillors	-	6,665	6,684	-	6,712	-	-	-	6,900	-	-
Debt impairment	3	1,305	62	-	938	-	-	-	2,234	-	-
Depreciation & asset impairment	2	9,609	15,498	-	11,979	-	-	-	11,746	-	-
Finance charges	-	330	299	-	144	-	-	-	9	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services	-	273	295	-	3,869	-	-	-	4,650	-	-
Transfers and grants	-	-	-	-	5,103	-	-	-	100	-	-
Other expenditure	4, 5	17,089	15,612	-	51,231	-	-	-	23,704	-	-
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	-	48,677	53,805	-	100,066	-	-	-	90,208	-	-
Surplus/(Deficit)	-	(1,187)	(5,262)	-	(12,083)	-	-	-	-	-	-
Transfers recognised - capital Contributions recognis ed	8	11,568	21,799	-	38,560	-	-	-	46,369	-	-

capita.	-	-	-	-	-	-	-	-	-	-
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions	10,381	16,537	-	26,477	-	-	-	46,369	-	-
Taxation										
Surplus/(Deficit) after taxation	10,381	16,537	-	26,477	-	-	-	46,369	-	-
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	10,381	16,537	-	26,477	-	-	-	46,369	-	-
Share of surplus/ (deficit) of associate	7									
Surplus/(Deficit) for the year	10,381	16,537	-	26,477	-	-	-	46,369	-	-

References

1. Classifications are revenue sources and expenditure type

2. Detail to be provided in Table SA1

3. Previously described as 'bad or doubtful debts' - amounts shown should reflect the change in the provision for debt impairment

4. Expenditure type components previously shown under repairs and maintenance should be allocated back to the originating expenditure group/item, e.g. employee costs

5. Repairs & maintenance detailed in Table A9 and Table SA34c

6. Contributions are funds provided by external organisations to assist with infrastructure development; e.g. developer contributions (detail to be provided in Table SA1)

7. Equity method

8. All materials not part of 'bulk' e.g. road making materials, pipe, cable etc.

	6,500	15,962								
check balance	870	,210	-	21	-	-	-	-	-	-
Total revenue	59 058	70,342		126,543				115,575		

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue has remained unchanged because there was no proposal for rates increase for 2016/17 financial year.
2. Revenue to be generated from property rates is almost R2.4 million for the 2016/17 financial year which represents only 3 percent of the operating revenue base of the Municipality and therefore remains an insignificant funding source for the municipality.
3. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF. Government grants are the main sources of the municipality's revenue since it totals to 96 percent which makes our municipality grants dependent.

KZN211 Vulamehlo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

[illegible]

[illegible]

Water Waste water management Waste management Other											
Total Capital Expenditure - Standard	3	12,48 3	19,52 6	-	39,53 0	-	-	-	46,3 69	-	-
Funded by:											
National Government		12,48 3	19,52 6		38,06 0				46,3 69		
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	12,48 3	19,52 6	-	38,06 0	-	-	-	46,3 69	-	-
Public contributions & donations	5										
Borrowing internally generated funds	6				1,470						
Total Capital Funding	7	12,48 3	19,52 6	-	39,53 0	-	-	-	46,3 69	-	-

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment. Note that capital transfers are only appropriated to municipalities for the budget year
3. Capital expenditure by standard classification must reconcile to the appropriations by vote
4. Must reconcile to supporting table SA20 and to Budgeted Financial Performance (revenue and expenditure)
5. Must reconcile to Budgeted Financial Performance (revenue and expenditure)
6. Include finance leases and PPP capital funding component of unitary payment
- total borrowing/repayments to reconcile to changes in Table SA17
7. Total Capital Funding must balance with Total Capital Expenditure
8. Include any capitalized interest (MFMA section 46) as part of relevant capital budget

check balance

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations there is no budget allocated since the municipality does not have multi-year capital projects.

Single-year capital expenditure has been appropriated at R23 489 million for the 2014/2015 financial year and increases over the MTREF at levels of R39 530million in 2015/2016 and increased to R46mil for 2016/2017 including R30m for disaster recovery capital projects and R16 mil from MIG.
3. The single-year appropriations relate to expenditure that will be incurred in the specific budget year such as construction of access roads, crèche, community halls, and sports grounds, procurement of vehicles, plant and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years

4. All capital programme were funded by KZN provincial government.

KZN211 Vulamehlo - Table A6
Budgeted Financial Position

[illegible]

		1,299	1,553							
Total current liabilities		16,985	10,532	-	8,842	8,542	-	-	5,776	-
Non current liabilities										
Borrowing		650	650		611	611	-	-	-	-
Provisions		364	466	-	473	473	-	-	501	-
Total non current liabilities		1,014	1,067	-	1,084	1,084	-	-	501	-
TOTAL LIABILITIES		17,999	11,599	-	9,926	9,626	-	-	6,277	-
NET ASSETS	5	123,876	132,396	-	164,237	187,005	-	-	244,000	-
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		123,713	132,233		164,237	186,959			244,000	
Reserves	■	163	163		-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	123,876	132,396	-	164,237	186,959	-	-	244,000	-

References

- 1 Detail to be provided in Table SA3
- 2 Include completed low cost housing to be transferred to beneficiaries within 12 months
- 3 Include 'Construction-work-in-progress' (disclosed separately in annual financial statements)
- 4 Detail to be provided in Table SA3. Includes reserves to be funded by statute.
- 5 Net assets must balance with Total Community Wealth/Equity

check balance

Unbalanced

Test

Unbalanced	Unbalanced	-	Unbalanced	Unbalanced	-	Unbalanced	-
------------	------------	---	------------	------------	---	------------	---

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table SA3 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - 3.1 Call investments deposits;
 - 3.2 Consumer debtors;
 - 3.3 Property, plant and equipment;
 - 3.4 Trade and other payables,
 - 3.5 Provisions non-current;
 - 3.6 Changes in net assets; and
 - 3.7 Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial

indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**KZN211 Vulamehlo –
TableA7 Budgeted Cash
Flows**

Description	R thousand	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		1,056	1,110		1,253	1,253			2,057	-	-
Service charges		-	-			-			-	-	-
Other revenue		506	396		382	345			312	-	-
Government - operating	1	51,731	37,727		84,532	82,875			63,035	-	-
Government - capital	1	11,568	21,799		38,560	34,960			46,369	-	-
Interest		482	856		700	2,822			2,000	-	-
Dividends									-	-	-
Payments											
Suppliers and employees		(42,185)	(45,542)		(81,902)	(75,957)			(55,116)	-	-
Finance charges		(330)	(299)		(144)	(144)			(9)	-	-
Transfers and Grants	1								(100)	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		22,827	16,047	-	43,381	45,955	-	-	58,548	-	-
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposa. of PPE		808	33						-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current		387	-						-	-	-

receivables										
Decrease (increase) in non-current investments										
Payments								-	-	-
Capital assets		(13,852)	(19,539)		(39,530)	(35,364)		(46,369)	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(12,856)	(19,508)	-	(39,530)	(35,364)	-	(46,369)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-	-	-
Borrowing long term/refinancing								-	-	-
Increase (decrease) in consumer deposits								-	-	-
Payments										
Repayment of borrowing		(1,860)	(548)			(500)		-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,860)	(548)	-	-	(500)	-	-	-	-
NET INCREASE/(DECREASE) IN CASH HELD		8,511	(4,007)	-	3,851	10,091	-	12,179	-	-
Cash/cash equivalents at the year begin.	2	4,269	12,780	8,773	2,733	31,716		41,807	53,985	53,985
Cash/cash equivalents at the year end:	2	12,780	8,773	8,773	6,584	41,807	-	53,985	53,985	53,985

References

1 Local/District municipalities to include transfers from/to District/Local Municipalities

2 Cash equivalents includes investments with maturities of 3 months or less

3. The MTREF is populated directly from SA30.

Total receipts	66,539	61,921	-	125,427	122,056	-	-	113,774	-	-
Total payments	(56,367)	(65,380)	-	(121,576)	(111,464)	-	-	(101,595)	-	-
Borrowings & investments & c.deposits	10,171	(3,459)	-	3,851	10,591	-	-	12,179	-	-

Repayment of
borrowing

(1,660)	(54 8)	-	-	(500)	-	-	-	-	-
8,511	(4, 00 7)	-	3,851	10,09 1	-	-	12 17 9	-	-
-	-	-	-	-	-	-	-	-	-

**KZN211 Vulamehlo - Table A8 Cash backed
reserves/accumulated surplus reconciliation**

Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	12,780	8,773	8,773	6,584	41,807	-	-	53,985	53,985	53,985
Other current investments > 90 days	-	-	-	(8,773)	175	(7,351)	-	-	-	(53,985)	(53,985)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		12,780	8,773	-	6,759	34,455	-	-	53,985	-	-

<u>Application of cash and investments</u>										
Unspent conditional transfers		10,156	3 113	-	3,160	3 160	-	-	5,778	-
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(405)	(111)	-	4,225	5,182	-	-	(196)	-
Other provisions					473				501	
Long term investments committed	4	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5									
Total Application of cash and investments:		9,751	3,002	-	7,858	8,342	-	-	6,081	-
Surplus(shortfall)		3,029	5,771	-	(1,099)	26,113	-	-	47,904	-

References

1. Must reconcile with Budgeted Cash Flows
2. For example VAT, taxation
3. Council approval for policy required - Include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
4. For example sinking fund requirements for borrowing
5. Council approval required for each reserve created and basis of cash backing of reserves

Other working capital requirements

Debtors	4,676	5,217	-	957	-	-	-	196	-	-
Creditors due	4,271	5,106	-	5,182	5,182	-	-	-	-	-
Total:	405	111		(4,225)	(5,182)			-	196	-
<u>Debtors collection assumptions</u>										
Balance outstanding - debtors	6 978	9,120	-	1,610	848	-	-	274	-	-
Estimate of debtors collection rate	67.0%	57.2%	0.0%	59.4%	0 0%	0.0%	0 0%	71.6%	0 0%	0 0%

Long term investments committed

•

[illegible]

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. The cash and investments available exceed the applications, the municipality budget has been “funded”

KZN211 Vulamehlo - Table A9 Asset Management[illegible]

Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4									
Infrastructure - Road transport		-	-	-	-	-	30,000	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	30,000	-	-	-
Community		-	-	-	18,060	18,060	16,369	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	1,470	1,527	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	-	-	-	19,530	18,587	46,369	-	-	-
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		37,898	44,916	-	73,296	73,296	-	-	-	-
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other										
Infrastructure		37,898	44,916	-	73,296	73,296	-	-	-	-
Community		78,311	75,366	-	86,727	83,127	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		5,747	5,776	-	5,726	5,180	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		160	47	-	47	47	47	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	122,117	126,104	-	185,797	161,631	47	-	-	-
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		9,609	15,498	-	11,979	-	11,746	-	-	-
Repairs and Maintenance by Asset Class	3	1,089	639	-	-	-	5,727	-	-	-
Infrastructure - Road transport		1,089	639	-	-	-	4,936	-	-	-

Infrastructure - Electricity	-	-	-	-	-	-	-	-	-
Infrastructure - Water	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	1,089	639	-	-	-	-	4,936	-	-
Community	-	-	-	-	-	-	500	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	6	7	-	-	-	-	-	-	-
TOTAL EXPENDITURE							291	-	-
OTHER ITEMS									
	10,698	16,136	-	11,979	-	-	17,473	-	-
Renewal of Existing Assets as % of total capex	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	64.7%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	255.4%	0.0%	0.0%
R&M as a % of PPE	0.9%	0.5%	0.0%	0.0%	0.0%	0.0%	2.9%	0.0%	0.0%
Renewal and R&M as a % of PPE	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	76259.0 %	0.0%	0.0%

References

1. Detail of new assets provided in Table SA34a
2. Detail of renewal of existing assets provided in Table SA34b
3. Detail of Repairs and Maintenance by Asset Class provided in Table SA34c
4. Must reconcile to total capital expenditure on Budgeted Capital Expenditure
5. Must reconcile to 'Budgeted Financial Position' (written down value)
6. Donated/contributed and assets funded by finance leases to be allocated to the respective category
7. Including repairs and maintenance to agricultural, biological and intangible assets

Check balance to A6	1,000.0	2,915.0	2,915.0	#####
	0	0	0	#####

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Renewal of existing assets has been budgeted at 12% percent of the total capital budget of 2016/17 financial year.

KZN211 Vulamehlo - Table A10

Basic service delivery measurement

Description	R e f	2012 /13	2013 /14	2014 /15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework
-------------	-------------	-------------	-------------	-------------	----------------------	--

[illegible]

<u>Refuse:</u>									
Removed at least once a week									
<i>Minimum Service Level and Above sub-total</i>									
Removed less frequently than once a week									
Using communal refuse dump									
Using own refuse dump									
Other rubbish disposal									
No rubbish disposal									
<i>Below Minimum Service Level sub-total</i>									
Total number of households	5								
<u>Households receiving Free Basic Service</u>	7								
Water (6 kilolitres per household per month)									
Sanitation (free minimum level service)									
Electricity/other energy (50kwh per household per month)									
Refuse (removed at least once a week)									
<u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u>	8								
Water (6 kilolitres per indigent household per month)									
Sanitation (free sanitation service to indigent households)									
Electricity/other energy (50kwh per indigent household per month)									
Refuse (removed once a week for indigent households)									
<u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u>									
Total cost of FBS provided									
<u>Highest level of free service provided per household</u>									
Property rates (R value threshold)									
Water (kilolitres per household per month)									
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)									
Refuse (average litres per week)									
<u>Revenue cost of subsidised services provided (R'000)</u>	9								
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)									
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)									
Water (in excess of 6 kilolitres per									

Indigent household per month)									
Sanitation (in excess of free sanitation service to indigent households)	-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)	-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates	-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided	6				52			40	

References

1. Include services provided by another entity; e.g. Eskom
2. Stand distance <= 200m from dwelling
3. Stand distance > 200m from dwelling
4. Borehole, spring, rain-water tank etc
5. Must agree to total number of households in municipal area (informal settlements receiving services must be included)
6. Include value of subsidy provided by municipality above provincial subsidy level
7. Show number of households receiving at least these levels of services completely free (informal settlements must be included)
8. Must reflect the cost to the municipality of providing the Free Basic Service
9. Reflect the cost to the municipality in terms of 'revenue foregone' of providing free services (note this will not equal 'Revenue Foregone' on SA1)

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality does not provide services such as water, sanitation, energy and refuse removal.
3. Water and sanitation is provided by Ugu District municipality, energy is supplied by Eskom.
4. Currently there is no refuse removal in the municipality.

Part 2 – Supporting Documentation

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

1. that the process followed to compile the budget complies with legislation and good budget practices;
2. that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
3. that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
4. that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on August 2014. Key dates applicable to the process were:

1. **July 2015** – Prepare joint process plan for IDP, PMS and Budget and advertise draft IDFP review;
2. **August 2015**–Submit process plan to IDP forum, portfolio committees and council. Liaise with national and provincial governments for planning and budgeting process;
3. **September 2015**– Assessment of objectives, strategies and projects against cross cutting issues. Assessment of alignment of IDP strategies & projects for medium term in relation to NSDP and PGDF. Determine funding availability & requirements per sector plan and where relevant prepare business plan/ terms of reference and roll out accordingly;
4. **October 2015**– Review and confirm objectives, strategies and projects at IDPRF workshop. Review capital, institutional, operational, maintenance projects. Estimate available resources and provide guidance for way forward for budgeting.
5. **November 2015**–Submit revised projects to Treasury. Submit first Draft IDP to IDP steering committee and council for in principle approval

6. **December 2015** – Submit budget instructions and 2016/17 budget framework to all relevant persons. Submit draft IDP to COGTA for assessment. Preparation of summary of available funds (internal and external);
7. **January 2016** - Council considers the 2016/17 Mid-year Review and Adjustments Budget;
8. **February 2016**– Assess financial feasibility of proposed new projects based on existing and potential funds. Consideration of draft budget;
9. **March 2016**- Tabling in Council of the draft 2016/17 IDP and 2016/17 MTREF for public consultation;
10. **April 2016**– Public consultation;
11. **May 2016**–finalisation of the 2016/17 IDP and 2016/17 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and tabling of the 2016/17 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

1. Registration of community needs;
2. Compilation of departmental business plans including key performance indicators and targets;
3. Financial planning and budgeting process;
4. Public participation process;
5. Compilation of the SDBIP, and
6. The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/2017 MTREF, based on the approved 2015/2016 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

1. Municipality growth
2. Policy priorities and strategic objectives
3. Asset maintenance
4. Economic climate and trends (i.e inflation)
5. Performance trends
6. The approved 2015/16 adjustments budget and performance against the SDBIP
7. Cash Flow Management Strategy
8. Debtor payment levels
9. Investment possibilities
10. The need for tariff increases versus the ability of the community to pay for services;
11. Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 and 79 has been taken into consideration in the planning and prioritisation process.

Community Consultation

Community consultation were to be conducted in April 2016, scheduled izimbizo to take place in all wards, as well as the draft budget will be advertised on the website and newspapers. Extensive public consultation will be concluded and public comments and input considered.

Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning

provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality's strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

1. Green Paper on National Strategic Planning of 2009;
2. Government Programme of Action;
3. Development Facilitation Act of 1995;
4. Provincial Growth and Development Strategy (GGDS);
5. National and Provincial spatial development perspectives;
6. Relevant sector plans such as transportation, legislation and policy;
7. National Key Performance Indicators (NKPis);
8. Accelerated and Shared Growth Initiative (ASGISA);
9. National 2014 Vision;
10. National Spatial Development Perspective (NSDP) and
11. The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 11 IDP Strategic Objectives

2016/17 Financial Year	
1.	Financial Viability
2.	Basic Service delivery and infrastructure
3.	Good governance and public participation
4.	Local economic Development
5.	Municipal transformation and institutional development
6.	Spatial analysis and environmental management

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 12MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Table 13 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Table 14MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Measurable performance objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting

stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

1. Planning (setting goals, objectives, targets and benchmarks);
2. Monitoring (regular monitoring and checking on the progress against plan);
3. Measurement (indicators of success);
4. Review (identifying areas requiring change and improvement);
5. Reporting (what information, to whom, from whom, how often and for what purpose); and
6. Improvement (making changes where necessary)

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

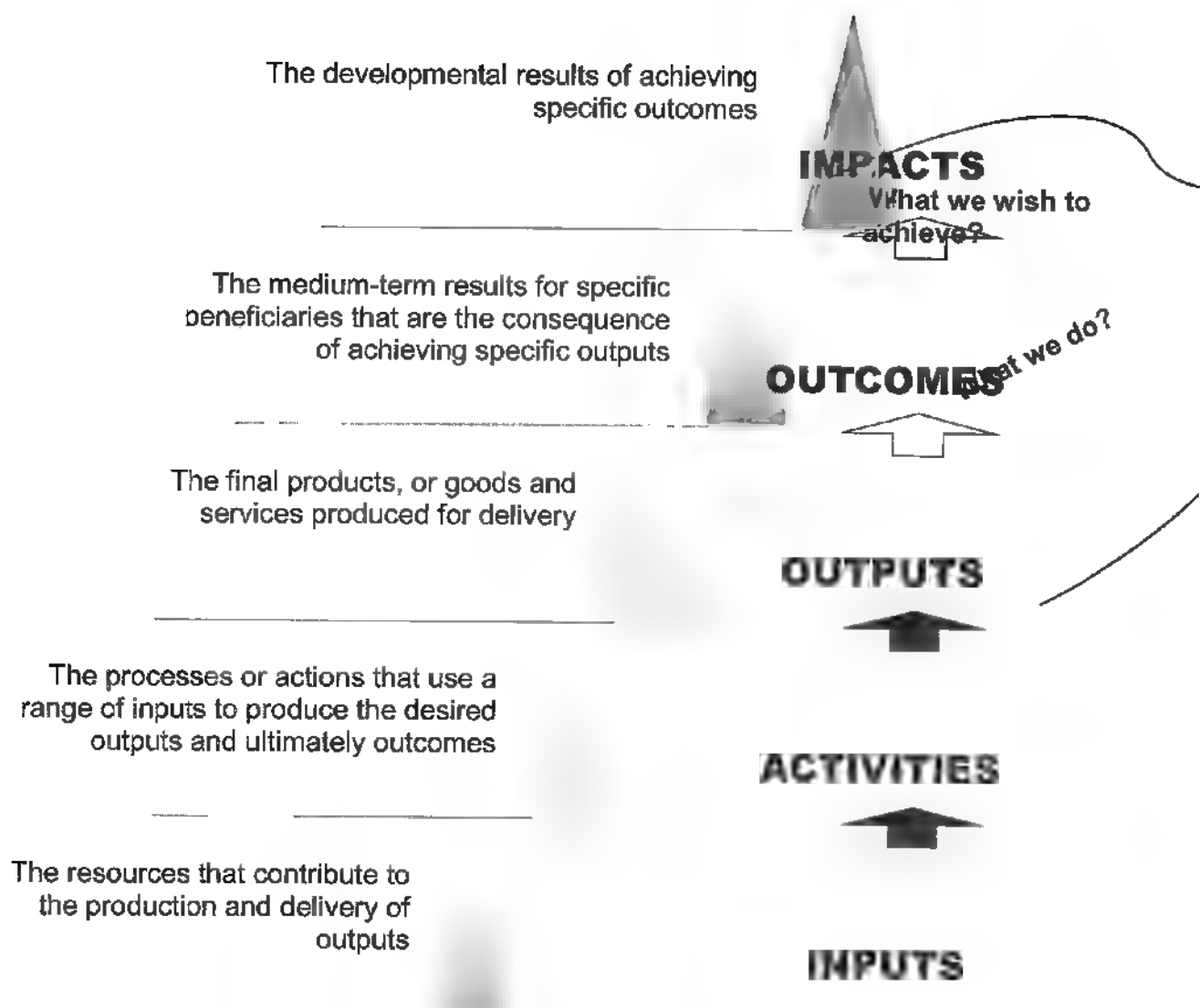


Figure 1 Definition of performance information concepts

The following table sets out the municipalities main performance objectives and benchmarks for the 2016/17 MTREF.

Table 15 MBRR Table SA8 - Performance indicators and benchmarks

Overview of budget related-policies

The Municipality's budgeting process for 2016/2017 was prepared under strict watchful eye and guidance of KZN COGTA and the established Change Management Committee since Vulamehlo was one of the municipalities affected by ward re-demarcation process. All policies for Vulamehlo will only be reviewed for alignment with that of Umdoni municipality and adopted as such on 31 May 2017. Policies such as follows:

a) Asset Management policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis

Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure.

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

b) Supply Chain Management Policy

To ensure transparency, fairness, efficiency and accountability in the supply of goods and services to the municipality, the Supply Chain Management Policy was adopted by Council in April 2014.

c) Review of Budget Policy

The Budget Policy was tabled together with the budget and adopted on 30 May 2015. The Budget Policy aims to empower

senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

d) Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

e) Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation.

Overview of budget assumptions

External factors

Domestically, a majority of our community is unemployed, which 66 per cent of the population. With economic development we will expect a small growth of employed people of about 2.1% within the 2015/16 financial year.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

1. National Government macro economic targets;
2. The general inflationary outlook and the impact on Municipality's residents and businesses;
3. The impact of municipal cost drivers;

4. The increase in the cost of remuneration.

Collection rate for revenue services

The rate of revenue collection is currently expressed as a percentage (54 per cent) of annual billings. Cash flow is assumed to be 54 per cent of billings. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Salary increases

National treasury circular 79 pronounced CPI as 6.6% and +1% was added on top of CPI to arrive at the salary escalation of 7.5% for 2016/17 financial year.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

1. Creating jobs;
2. Infrastructure development;
3. Enhancing education and skill development;
4. Improving Health services;
5. Rural development and agriculture; and
6. Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Overview of budget funding

Medium Term revenue

Vulamehlo Municipality mainly depends on government grants and subsidies.

Investment revenue contributes 1 per cent to the revenue base of the municipality with a budget allocation of R700 000, R750 000 and R750 000 for the respective three financial years of the 2016/17 MTREF. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide d investment information and investment particulars by maturity.

Table 16 MBRR SA15 – Detail Investment Information

Table 17 MBRR SA16 – Investment particulars by maturity

Medium-term outlook: capital revenue

The Municipality's capital budget is funded by the Municipal Infrastructure Grant and

The Municipal Infrastructure Grant for the MTREF is R19 145m and R20 million for respective years.

Table18 MBRR Table SA 18 - Capital transfers and grant receipts

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

1. Clear separation of receipts and payments within each cash flow category;
2. Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue, and
3. Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

Table 19 MBRR Table A7 - Budget cash flow statement

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

1. What are the predicted cash and investments that are available at the end of the budget year?
2. How are those funds used?
3. What is the net funds available for funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 20 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 21 MBRR SA10 – Funding compliance measurement

Expenditure on grants and reconciliations of unspent funds

Table 22 MBRR SA19 - Expenditure on transfers and grant programmes

Table 23 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Councillor and employee benefits

Table 24 MBRR SA22 - Summary of councillor and staff benefits

Table 25 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Table 26 MBRR SA24 – Summary of personnel numbers

Monthly targets for revenue, expenditure and cash flow

Table 27 MBRR SA25 - Budgeted monthly revenue and expenditure

Table 28 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Table 29 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Table 30 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Table 32 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Table 31 MBRR SA30 - Budgeted monthly cash flow

Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets. The capital budget does not cater for renewal of assets (which relates to 40% the capital budget must be for renewal of assets) as the municipal is still constructing infrastructure, but existing assets are maintained to be operational.

Table 33 MBRR SA 34a - Capital expenditure on new assets by asset class

Table 33 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Table 34 MBRR SA34c - Repairs and maintenance expenditure by asset class

Table 35 MBRR SA35 - Future financial implications of the capital budget

Table 36 MBRR SA36 - Detailed capital budget per municipal vote

Table 37 MBRR SA37 - Projects delayed from previous financial year

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **In year reporting**
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days).
2. **Internship programme**
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
3. **Budget and Treasury Office**
The Budget and Treasury Office has been established in accordance with the MFMA and organogram approved on 29 April 2015
4. **Audit Committee**
An Audit Committee is shared with the district and is fully functional.
5. **Service Delivery and Implementation Plan**
The detail 2016/17 draft SDBIP document will be finalized and will be tabled before council.
6. **Annual Report**
Annual report is compiled in terms of the MFMA and National Treasury requirements.

Other supporting documents :

Table 38 MBRR Table SA1 - Supporting detail to budgeted financial performance

Table 38 MBRR Table SA1 - Supporting detail to budgeted financial performance (continued)

Table 38 MBRR Table SA1 - Supporting detail to budgeted financial performance (continued)

Table 39 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Table 40 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Table 41 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Municipal manager's quality certificate

I Accounting Officer of Vulamehlo Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Vulamehlo Municipality (KZN211)

Signature _____

Date _____